

Further Comment

The proposal regarding a prohibition of registered private placement agents approaching public funds makes little sense, particularly in light of the following: 1) the problems associated with recent “pay to play” originated in large part because of people employed by state funds who were willing to compromise the investment process; 2) recently registered persons (with little or no investment expertise) with “political connections” using such connections to obtain funding for private equity clients; 3) unregistered persons acting as “finders” in violation of SEC and FINRA regulations, using political connections to obtain funding..

With at least 40 state funds active in private equity, as well as a dozen municipal funds, it is very difficult for new funds, or small funds, to communicate with the appropriate investment personnel at these funds, in addition to communicating with endowment, foundation, insurance company and corporate pension fund investor prospects, without the assistance of experienced private placement agents who specialize in private equity fund placement, and who have carefully built productive relationships with the public funds over many years.

In summary, the SEC proposal punishes those placement agents who provide a meaningful service to the private equity fund community while doing nothing to preclude wrongdoing by state and municipal pension fund personnel who continue to work with questionable registered and non-registered persons attempting to win investment commitments on behalf of private equity fund clients.